

## **DWSRF AFFORDABILITY INDEX CRITERIA AND MHI GUIDELINES**

### **BACKGROUND:**

The 2013 Drinking Water State Revolving Fund (DWSRF) loan cycle will be using affordability criteria to determine the loan interest rate and the percent of principal forgiveness of a DWSRF applicant. The term 'subsidy' is used in this memo to mean lower loan interest rate and/or principal forgiveness. The affordability index (AI) is based on the annual projected average water rate per Equivalent Residential Unit (ERU) (i.e., monthly average water rate per ERU multiplied by 12) divided by the annual Median Household Income (MHI) of the water system service area.

Applicants that want to be considered for subsidy MUST provide MHI information to the Department of Health (DOH), Office of Drinking Water with the application to be considered. Outlined below are the requirements for the DWSRF loan applicants to qualify for subsidy.

**IMPORTANT: Compliance with subsidy requirements DOES NOT GUARANTEE funding and subsidy. The total amount of subsidy is limited, and will be distributed by DOH beginning with the highest score on the fundable list and moving down until all available subsidies are used.**

### **A. MHI DETERMINATION CRITERIA:**

We will accept three sources of MHI data-

1. MHI data of the applicant or the project service area based on the American Community Survey (<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>);
2. MHI data from past income surveys of the applicant or the applicant's project service area (if the applicant is a city or town and the service area does not match city/town limits), conducted by RCAC, PWB, other state agencies, or third parties since March 1, 2010, which meets IACC Income Survey Guidelines; or
3. MHI data from a new income survey of the applicant or the applicant's project service area (if the applicant is a city or town and the service area does not match city/town limits), which meets the IACC Income Survey Guidance (<http://www.infracfunding.wa.gov/>).

**IMPORTANT: All MHI data will be reviewed by PWB staff for validity and accuracy before the calculation and determination of the Affordability Index (AI). PWB Staff will calculate and determine the AI and submit the result to DOH for subsidy consideration.**

### **B. HOW WE DETERMINE PROJECTED MONTHLY AVERAGE RATE PER ERU:**

PWB staff considers the following factors in determining the projected monthly average rate per ERU:

- Current (application year) average monthly utility rate per ERU;
- Projected additional annual operating, maintenance and replacement (OM&R) expenses per ERU; and,
- New DWSRF debt service at 1.5% interest rate and 20-year term per ERU.

### C. 2012 DWSRF LOAN TERMS

Affordability Index	Principal Forgiveness	Interest Rate	Loan Fee	Repayment period
Water system with Affordability Index less than 1.5%	0%	1.5%	1%	20
Water System with Affordability Index between 1.5% and 2.0%	0%	1.0%	1%	20
Water System with Affordability Index between 2.01% and 3.5%	30%	1.5%	0%	20
Water System with Affordability Index above 3.5%	50%	1.0%	0%	20
Eligible restructuring/consolidation projects proposed by municipal Group A water systems. Projects must result in a change in ownership.	50%	1.0%	0%	20

For more information or any questions, regarding the following, please contact:

Karen Klocke @ (360) 236-3116 or write to [Karen.Klocke@DOH.WA.GOV](mailto:Karen.Klocke@DOH.WA.GOV) - 2013 DWSRF Loan Application, Application Guidelines and Technical Assistance

Myra Baldini @ 360-725-3152 or write to: [Myra.Baldini@commerce.wa.gov](mailto:Myra.Baldini@commerce.wa.gov) – 2013 Supplemental Financial Information, 2011 IACC Income Survey and Affordability Index